

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 NEA-10 ISO-00 EB-07 AID-05 FRB-03

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6618

INFO AMEMBASSY TEHRAN

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 17700

PASS TREASURY AND FRB

E.O. 11652: XGDS-1

TAGS: EFIN, UK

SUBJECT: IRAN/UK FINANCIAL CONFERENCE

REF: STATE 260954; TEHRAN 10855

SUMMARY: COMMITTEE ON INVISIBLE EXPORTS (CIE) WILL NOT MAKE DOCUMENTATION AVAILABLE, CONSIDERS IT CONFIDENTIAL AND OF COMMERCIAL VALUE. HOWEVER, CIE AND H.M. TREASURY SOURCES DISCUSSED RESULTS IN CONSIDERABLE DETAIL. CONFERENCE RESULTS TERMED BETTER THAN EXPECTED, WITH SOME OF SUCCESS ATTRIBUTED TO SENIOR LEVEL OF U.K. PARTICIPANTS. END SUMMARY.

1. FINANCIAL ATTACHE DISCUSSED IRANIAN-UK FINANCIAL CONFERENCE WITH WILLIAM CLARKE, DIRECTOR OF THE COMMITTEE ON INVISIBLE EXPORTS, WHO IS ALSO A PERSONAL FRIEND. CLARKE BORE MUCH OF THE RESPONSIBILITY ON THE UK SIDE FOR ORGANIZING THE CONFERENCE. HE SAID HE COULD NOT IN GOOD CONSCIENCE MAKE AVAILABLE ANY OF THE CONFERENCE PAPERS OR REPORTS. THEY ARE CONSIDERED TO BE CONFIDENTIAL. THERE IS COMPETITION INVOLVED, NOT JUST BETWEEN US AND UK FIRMS BUT ALSO BETWEEN INDIVIDUAL UK FIRMS, INCLUDING MERCHANT BANKS
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ATTEMPTING TO FOLLOW UP ON THE RESULTS OF THE CONFERENCE

WITH THE IRANIAN CENTRAL BANK OFFERING TO "MAKE STUDIES OF THIS OR GIVE TRAINING IN THAT," OBVIOUSLY FOR A FEE; THE MERCHANT BANKS THEMSELVES ARE NOT TELLING CLARKE ALL THE DETAILS UNTIL THEY FEEL CONFIDENT THEY HAVE EDGED OUT THE COMPETITION.

2. IN GENERAL TERMS, CLARKE SAID THE CONFERENCE WAS WELL WORTHWHILE AND THE RESULTS BETTER THAN EXPECTED. THERE APPEAR TO BE GOOD PROSPECTS FOR FOLLOW UP AND BUSINESS IN ALL THE AREAS DISCUSSED. THE IRANIANS KNOW WHAT THEY WANT TO DO. THEY HAVE A FAR BETTER IDEA OF THEIR OBJECTIVES THAN THEY DID SIX TO NINE MONTHS AGO AND ARE SEEKING HELP FROM THE UK ON THE MEANS TO ACHIEVE THEM. CLARKE SPECULATED THAT THE DESTRUCTION OF BEIRUT AS A FINANCIAL CENTER AND POSSIBLE CHANGES IN THE SHAH'S ATTITUDES MAY HAVE BROUGHT ABOUT WHAT HE CONSIDERED TO BE "MARKED CHANGES."

3. HE SAID THAT SIX WORKING GROUPS PREPARED REPORTS IDENTIFYING THE MAIN PROBLEMS IN THE IRANIAN FINANCIAL MARKETS AND OUTLINED WAYS TO DEAL WITH THEM. JOINT COMMITTEES WERE ESTABLISHED ON INSURANCE; COMMODITIES; MONEY MARKETS; CAPITAL MARKETS; AND BANKING SERVICES AND FOREIGN EXCHANGE. THESE WILL EXAMINE HOW THE CITY CAN HELP WITH TRAINING AND DEVELOPMENT OF THESE SECTORS. THE COMMITTEE ON INVISIBLE EXPORTS WILL COORDINATE THE WORK OF THE COMMITTEES IN LONDON WITH ASSISTANCE FROM THE BANK OF ENGLAND. THERE WILL BE ANOTHER CONFERENCE IN ABOUT A YEAR'S TIME TO BE HELD IN LONDON. THERE IS SOME BELIEF THAT THE CITY HAS BEEN SINGLED OUT FOR A PRIVILEGED ROLE IN HELPING TEHRAN DEVELOP ITS FINANCIAL INSTITUTIONS, OF WHICH THE BASIC ELEMENTS ARE THE NEED FOR TRAINING, TECHNICAL EXPERTISE AND COMMUNICATIONS. IN THIS CONNECTION, A GROUP OF IRANIANS WILL SHORTLY BE VISITING LONDON.

4. CONSIDERABLE ATTENTION WILL BE GIVEN TO THE DEVELOPMENT OF ACTIVITIES SUCH AS PROJECT FINANCING, SYNDICATION AND INTERBANK MONEY MARKET. THE IRANIANS ARE ALSO LIKELY TO SEEK ADVICE FROM THE CITY ON A CODE OF PRACTICE TO COVER DISCLOSURE, INSIDER DEALINGS, AND THE PREPARATION OF ACCOUNTS. THE CITY WILL ALSO BE CALLED UPON TO ADVISE ON CONFIDENTIAL

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THE ESTABLISHMENT AND MANAGEMENT OF PENSION FUNDS.

5. CLARKE INDICATED HE FELT SOME CONFLICT OF INTEREST IN COMMENTING ON THE ABOVE POINTS, BUT THEY ARE PUBLIC KNOWLEDGE. HE REFERRED TO AN ARTICLE IN THE FINANCIAL TIMES OF WEDNESDAY, OCTOBER 29, 1975, ENTITLED "TEHRAN AND THE CITY; A LONG WAY TO GO" BY ROBERT GRAHAM, MIDDLE EAST CORRESPONDENT. MUCH OF ABOVE INFORMATION APPEARS IN

GRAHAM'S ARTICLE WHICH CLARKE SAID IS THE MOST ACCURATE
REPORT HE HAS SEEN ON THE CONFERENCE AVAILABLE TO THE
GENERAL PUBLIC.

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6. IN ADDITION, FINANCIAL ATTACHE HAD SEPARATE CONVERSA-
TION WITH JOHN SLATER, ASSISTANT SECRETARY, H.M. TREASURY,
WHO IS THE OFFICIAL RESPONSIBLE AT STAFF LEVEL FOR H.M.
GOVERNMENT PARTICIPATION. HE CONSIDERED CONFERENCE HAD
GONE WELL, PROGRAM IS OFF TO A GOOD START, BRINGING TO-
GETHER THE TOP PEOPLE. ECHOING CLARKE'S COMMENTS, HE
STATED THAT THE IRANIANS RECOGNIZE THAT THEY NEED MORE
TRAINED TECHNICIANS AND BETTER COMMUNICATIONS. THEY HAVE
THE MAKINGS OF AN INTERBANK MONEY MARKET AND IT SHOULD NOT
BE TOO DIFFICULT TO GRADUALLY EVOLVE A VIABLE FOREIGN EX-
CHANGE MARKET. HE WAS LESS CONFIDENT ABOUT DEVELOPMENT OF
THE INSURANCE INDUSTRY, STATING THAT IT APPEARS A PRETTY
CLOSED SHOP WITH NATIONAL OWNERSHIP AND CONTROL REQUIRE-
MENTS.

7. SLATER CONSIDERED THAT AMONG FACTORS RESPONSIBLE FOR
LONDON'S SUCCESS AS A FINANCIAL ENTREPOT CENTER IN

EUROCURRENCIES ARE FEW ADMINISTRATIVE INHIBITIONS AND NO FOREIGN EXCHANGE CONTROL REQUIREMENTS (AS DISTINCT FROM DEALINGS IN STERLING). THE ATMOSPHERE IS HIGHLY COMPETITIVE BUT THERE IS ALSO A HIGH LEVEL OF CONFIDENCE IN THE PROBITY AND INTEGRITY OF PARTICIPANTS IN THE MARKET, BUT-
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TRESSED BY THE BANK OF ENGLAND. SOME OF THE UK CONFERENCE PARTICIPANTS APPARENTLY WERE NOT SURE THAT THE LONDON STOCK EXCHANGE MOTTO, "MY WORD IS MY BOND," COULD BE TRANSFERRED TO TEHRAN. THERE IS A DIFFERENT BUSINESS ENVIRONMENT WHICH COULD HINDER TEHRAN'S DEVELOPMENT.

8. SLATER ALSO MENTIONED NATIONAL OWNERSHIP REQUIREMENTS WITH PROVISIONS IN IRAN FOR A 49 PERCENT DISTRIBUTION OF OWNERSHIP SHARES TO THE WORKERS. HE WAS NOT CERTAIN IF HE CORRECTLY UNDERSTOOD THE DETAILS BUT HE WONDERED HOW THIS WOULD WORK OUT IN PRACTICE IN DEVELOPING A FINANCIAL MARKET.

9. SLATER COULD NOT MAKE AVAILABLE ANY OF THE CONFERENCE PAPERS OR REPORTS WHICH HE SAID ARE THE PROPERTY OF THE COMMITTEE ON INVISIBLE EXPORTS AND CONSIDERED TO BE CONFIDENTIAL FOR REASONS EXPLAINED ABOVE BY CLARKE. SLATER PAID HIGH TRIBUTE TO WILLIAM CLARKE FOR HIS WORK IN ARRANGING THE CONFERENCE SAYING ALL THE ACTUAL WORK HAD BEEN DONE BY THE COMMITTEE ON INVISIBLE EXPORTS. THIS MUCH SAID, IT HAD BEEN A SUCCESSFUL CONFERENCE BECAUSE CHANCELLOR HEALEY HAD AGREED TO ATTEND. THE IRANIANS PLACE CONSIDERABLE IMPORTANCE ON HAVING VERY SENIOR GOVERNMENT AND CENTRAL BANK OFFICIALS PARTICIPATING. THE IMPETUS FOR PROGRESS HOWEVER MUST COME FROM THE BUSINESS COMMUNITY. SLATER VIEWED THE OVERALL RESULTS AS HAVING "GREAT VALUE" ENABLING 70-ODD PERSONS TO SPEND FIVE DAYS IN IRAN MAKING BUSINESS CONTACTS UNDER AN OVERALL OFFICIAL AEGIS. SLATER HAD THE IMPRESSION THAT THE SHAH'S PERSONAL INTEREST IN THE CONFERENCE WAS IN LARGE PART RESPONSIBLE FOR ITS SUCCESS, AND THAT THE GENUINE INTEREST EXPRESSED BY THE IRANIANS SHOULD BE BENEFICIAL FOR THE FUTURE. LOOKING AHEAD, HE THOUGHT THE NEXT IRAN-UK FINANCIAL CONFERENCE WOULD PROBABLY BE HELD IN THE SPRING OF 1977 IN LONDON.

10. SLATER REFERRED TO THREE USEFUL BACKGROUND STATEMENTS THE FIRST BEING THE UNOFFICIAL TRANSCRIPT OF THE CHANCELLOR'S PRESS CONFERENCE IN IRAN; THE SECOND, THE OPENING STATEMENT BY MINISTER OF FINANCE ANSARY OF OCTOBER 12; AND THE CLOSING REMARKS BY PRIME MINISTER HOVEYDA ON OCTOBER 13. ANSARY IN A PRESS CONFERENCE WAS QUOTED AS SAYING IN
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REPLY TO A QUESTION THAT ONCE THE RELATIONSHIP BETWEEN THE CITY OF LONDON AND TEHRAN HAD BEEN INSTITUTIONALIZED. "THAT WOULD RELATIVELY PLACE THE CITY OF LONDON IN A PRIVILEGED POSITION." EMBASSY IS POUCHING COPIES OF THESE THREE STATEMENTS TO JERRY NEWMAN AT U.S. TREASURY, NORMAN ACHILLES AT STATE DEPARTMENT, AND AMEMBASSY TEHRAN.

11. BOTH CLAPKE AND SLATER STRESSED THEY WERE SPEAKING INFORMALLY (AND CONFIDENTIALLY) FOR BENEFIT OF U.S. GOVERNMENT OFFICIALS; ASKING THAT THERE SHOULD NOT BE ANY DIRECT FEEDBACK TO IRANIAN OFFICIALS OR U.S. BUSINESS COMMUNITY CITING THEM AS SOURCES OF INFORMATION.

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